Design Sense 49
A MARKETING PUBLICATION OF LIPPINCOTT & MARGULIES

What Wall Street Says about the Corporate Image

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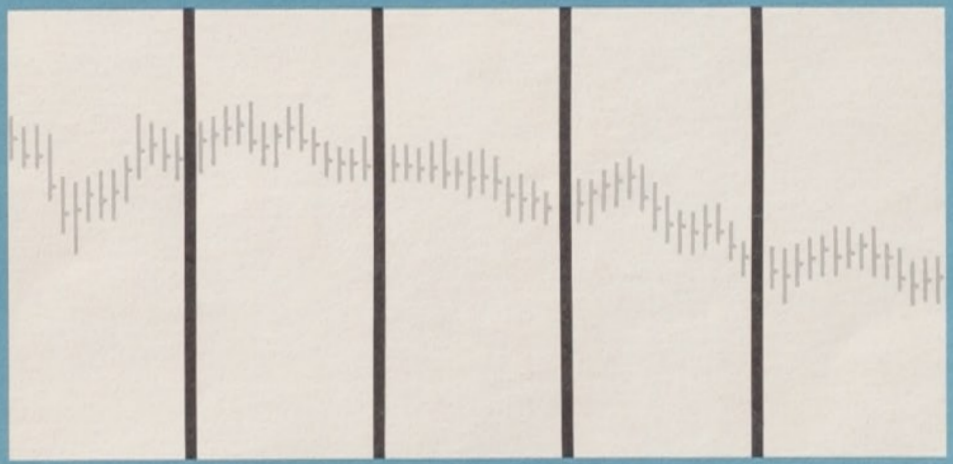
What Wall Street Does about the Corporate Image



G E Vs. WESTINGHOUSE
SCOTT PAPER Vs. KIMBERLY-CLARK
DU PONT Vs. AMER. CYANAMID
IBM Vs. SPERRY RAND
SEARS, ROEBUCK Vs. MONTGOMERY WARD

What Wall Street Says about the Corporate Image

How does Wall Street weigh corporate worth?

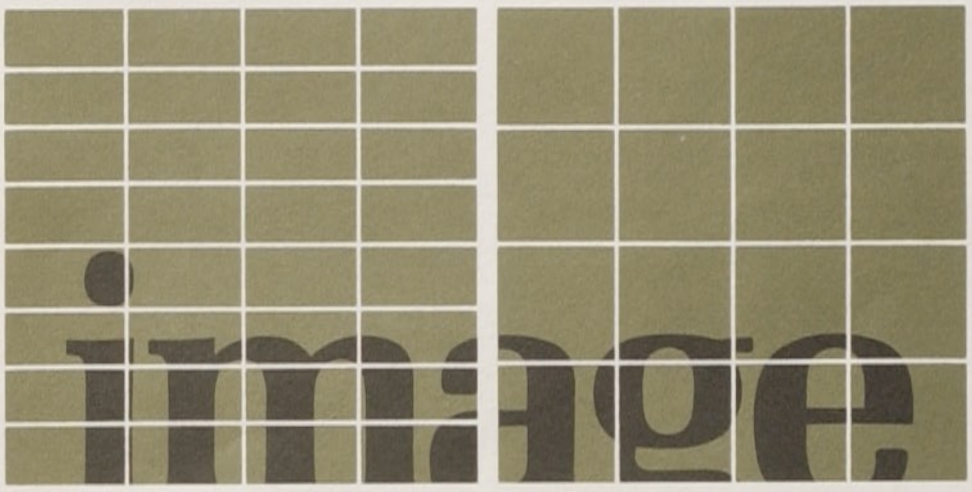
Most people will answer that the task is turned over to analysts who fine-comb a company's figures, measure its management, and examine its past performance with microscopic thoroughness. At the same time, they tune in on the economic heartbeat of the nation and try to detect murmurs that might affect the corporation under study. The resultant findings, of course, support their ultimate buy or sell decision.

There is nothing wrong with this view—as far as it goes. But beyond the arithmetic and economic scholarship lie certain important intangibles. These help to explain the seemingly erratic behavior of certain stocks. They help to explain why, for example, two reasonably similar corporations in the same industry, feeling much the same general economic forces, will produce totally different price-earnings ratios in a given year. Intangibles, in part, are responsible.

Lippincott & Margulies, Inc., deeply involved in the problems of corporate communications, has often been asked whether a company's image has any real significance on Wall Street. We believed we knew the answer—that corporate image did make a difference in the price a company's stock could command, in the way it was traded during periods of stress or economic health. But to put our thesis to the test, we sought the views of experts in the financial community. What, we wanted to know, does Wall Sreet think of the corporate image? Has it value? Can its effects be measured?

The answers are now in and can be found on the following pages. Here you will find what the men of Wall Street say about the corporate image.

And even more important, on page 14, you will find what Wall Street *does* about the corporate image.



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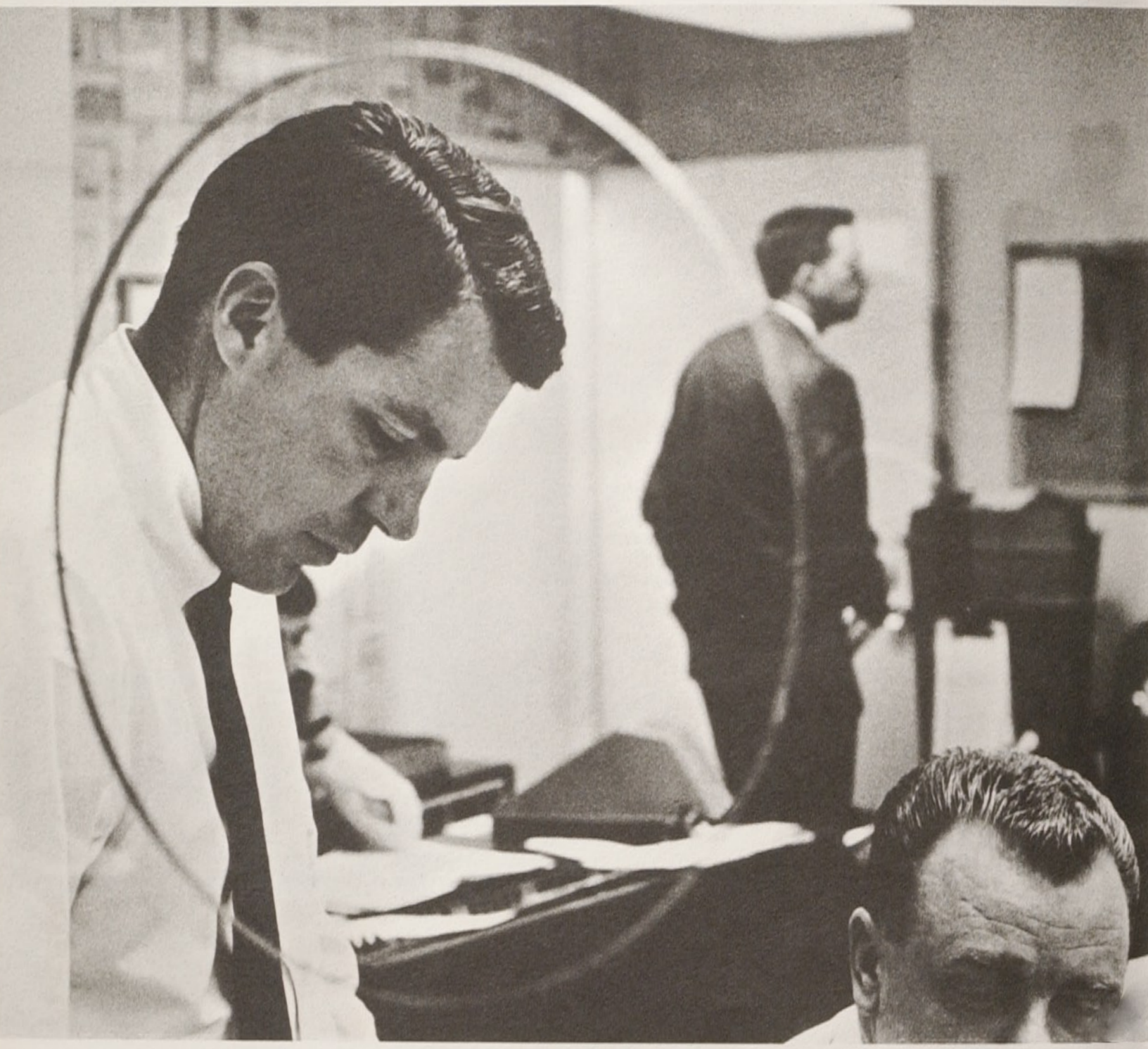
An Investment Counselor Says:



We know the image, far from being intangible, stems from something concrete..."

Dan W. Lufkin, Chairman, Board of Directors, Donaldson, Lufkin & Jenrette, Inc., members New York Stock Exchange... Yale, Harvard Graduate School of Business Administration... With Jeremiah Milbank until 1959—then organized DL&J.

Typical of new investment firms, DL&J is not widely known outside Wall Street. It deals mainly with other advisers, bankers, brokers, and professional investors and seeks to understand, finance and assist companies in which its clients can take a position or to manage long-range investment programs. It does not solicit business from the public. Its six-year growth record is phenomenal: up to more than 100 employes, of which 50 are professionals; a new research office in Brussels; a rise in volume—and shareholders' equity—of over 1,000 per cent. Research is the firm's strong suit, but services run from advisory through investment banking, financial consulting, and brokerage.

Wall Street is not all famous men and giant institutions. It's also men like Dan Lufkin and his associates whom the Street knows well and whose opinion it respects highly. We talked to him about the value of "corporate image."

Mr. Lufkin, how do you identify and select investments for your clients?

Through complete analysis. Automated research allows us to monitor changes through the flow of facts in the financial and trade press. The analysts have more facts for decision-making, and more time for field investigations. This phase, *business analysis,* focuses on the key determinants of industry and company profitability. In addition, we perform *economic analysis,* focussing on key factors affecting major sectors of the economy. This leads to the projection of long-range earnings and growth potential by industry. These conclusions are then related to the work we call *value analysis,* the spectrum of price and yield relationships in the marketplace. Technically, it determines the likely trend of future prices from the supply-demand forces of the market itself. And relatively, it shows the historical and projected value yardsticks (price, earnings, price-earnings ratio, dividend yield of industries and companies) as they relate to the market as a whole.

Does the intangible factor of corporate image ever enter the picture?

It does indeed. No matter how technical or impersonal we may sound, we're still dealing with the human equation. How people think is an essential ingredient of investment analysis. For example, the individual buyer is clearly influenced by General Electric's corporate image. Because we know the buyer to be influenced, we can't ignore the "image" a company has. And besides, we're influenced in much the same way. We know the image, far from being intangible, stems from something concrete. In GE's case, it's aggressiveness in product research, development, marketing, promotion. In the long or short run, a good, strong corporate image is a definite plus factor for the company and its stock.

But a company's image can change, can't it?

Very definitely, and for better or for worse. In some of the growth industries, false images created by financial PR men rather than by performance records can sweep a company up with the tide. Electronics, aerospace, education—and the so-called leisure-time groups like bowling and boating back in the bull market of 1961-62—provide many examples. You have to look inside an entire industry, to see what's fundamental in its growth pattern. Then pick out the companies with the performance records or with men whose records stand out.

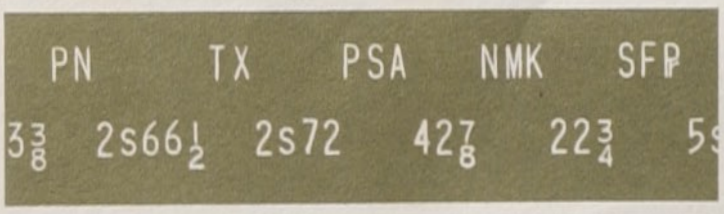
Can you cite examples of companies whose performance determined image?

Color television stocks, notably RCA, took years to match performance to the image they were trying to project. Once the demand for color TV finally materialized in substantial volume, response in the stock market was immediate and enthusiastic—and only then did the image of growth materialize. Electronics industries are full of this sort of thing. IBM, with a remarkable growth record has earned its brilliant image and a high price-earnings ratio which remains well above the market no matter what the market is doing. Litton has almost the same growth curve, but it's not from the same causes. IBM growth is internally generated, due to product and marketing excellence; Litton has grown, in good part, by acquisition, a method which has burned investors in other cases many times. Consequently, Litton doesn't have the IBM image, or the IBM price-earnings ratio—and, in fact, its ratio had had wide swings. Sperry Rand began the computer business, with Univac, and still projects the Univac lustre among technical people. But its own people have moved in and out of the company so often and so fast that the only image Wall Street has—reinforced by the earnings record—is one of instability. Performance dictated that, erasing Sperry's old image.

Are there any whose image somehow outshines performance?

Yes, a few. And they prove there are exceptions to the rules even for an analyst. Some of the giant companies in food and related industries are examples. They grow steadily with population and their profit margins gradually tighten over the years. They really should not command the "growth-stock" kind of price-earnings multiple.

Yet a Procter & Gamble has successfully projected an image with investors not only of bigness and competence—which is fair enough—but of dynamism as well. There's no reason why those stocks should sell at the multiples they do, but it's awfully hard to kill that image.



An Institutional Investor Says:

Image adds to a corporation's sales effectiveness and growth potential."

Alan C. Pratt, Administrative Vice President, The Dreyfus Fund ...Cut to much the same pattern as Jack J. Dreyfus, Jr., founder and Chairman of the Fund, and Senior Partner of Dreyfus & Co., member firm of the New York Stock Exchange. Alan Pratt, with Howard Stein, President of the Fund, is one of a small group of hand-picked men who show the same sharp insight, quick judgement, and imaginative flair that characterize the Fund's founder. Mr. Pratt has already won a large following on Wall Street.

The Dreyfus Fund, fastest growing in U. S. investment history (currently over $1-billion in assets) has a sharp eye for growth companies. Most notable: Polaroid Corporation, whose potential Jack Dreyfus recognized and backed before its huge rise began. Dreyfus & Co. knows the value of corporate image. Its own identity program, unprecedented among mutual funds, has made its lion synonymous with investment strength and daring. And its television commercials, equally unique among the staid brokerage houses, are almost as widely known.

As Jack Dreyfus takes a less active role as counselor to the Fund, Howard Stein and Alan Pratt shoulder that responsibility. When we asked Dreyfus' views on the corporate image he turned confidently to them and asked that his Administrative Vice President speak for the Fund on this as he does on many other subjects. Here then, in Pratt's words is how Jack J. Dreyfus, Jr. and the Dreyfus Fund appraise the value of the corporate image.

Mr. Pratt, has corporate image any impact on institutional investors?

Without question. Perhaps we're more sensitive to it because of our lion. We've seen the lion's impact on sales of Fund shares and also in our analysts' relations with corporate managements. So we respond to any solid image of theirs, knowing that it adds to their sales effectiveness and growth potential.

How do you gauge that impact from an investment standpoint?

Of course, it is secondary to those factors which we consider fundamental. Before investing, we must consider first which company has the higher profit margin and the better balance sheet. Additionally, we look at which has the newer plant, the more effective approach to marketing, and the faster rising sales curve. But image *is* important. Some companies worth citing in this respect are Jersey Standard with its tiger-in-the-tank and, in another way, Polaroid with its strong reputation for technical competence. The thing that many people tend to overlook about image is the fact that it is important and effective only to the degree that a company sustains a good image. Look at Control Data. With an excellent image for both technical innovation and profitable growth in a very rugged and competitive market, it finally lost that growth momentum (without any loss of face technically) and, in consequence, lost its image in the Street. And the steel industry, despite a substantial effort to polish its image as an innovator, couldn't overcome the tarnishing effect of external events. One was aggressive competition. Another was the industry's squabbling with two very popular U.S. presidents. Investors see steel's battle as a losing one up to the present time and they tend to discount any image building it attempts.

Do other industries present a better collective image?

On the face of it, yes. Dreyfus Fund, at year end, had about 6 per cent invested in tobaccos and over 10 per cent in airlines, against 4 per cent in the bigger steel industry. Airline managements underwent a fundamental change in thinking in their marketing philosophy, unique in transportation history. Most airlines give the trend thrust by superb image-building.

What if a company attempts to modify its image or build a new one? Will it catch your eye?

Of course it will. But such an attempt can only be meaningful if it indicates that the company has made a major policy decision to step up its promotion of sales or services. As an example of this, consider Cities Service—now Citgo—and its "Zoom" campaign. We've seen many such good campaigns take off in the past. But sometimes they lose steam and all the bright new signs suddenly begin to look a little rusty. If we can assume that Citgo is planning to sustain its effort, then the company's move signals a new attitude on the part of management. It tells us that change is underway on the most important level. And that, for our money, is what the image should reflect.

Lastly, how valuable are a firm's communications with Wall Street?

Most provide the information the market needs. As institutional investors, we view communications as a job that's basically *ours*. When you're managing other people's money, your edge *is* communications. We need to understand the implications of a story before the market does. Some companies still think they are operating in a private preserve. But as investment money becomes more institutionalized, managements must keep pace with the times and understand the need for candid disclosure of the facts investors need—in time. Increasingly, they are doing so. In our view, the best image they can project is that of candor and responsiveness.

At right, Howard Stein, President of the Dreyfus Fund, and Jack J. Dreyfus, Jr., the Fund's founder (far right).

A Stock Exchange President Says:

Corporate image is communicated through a stock exchange listing."

Edwin D. Etherington, President of the American Stock Exchange since September, 1962. Elected at 38, youngest man ever to head a major U.S. securities market. Legal background: Wesleyan LL.D. (Hon.) 1965, Yale Law, 1952, clerk to Federal judge, practiced in Washington and New York. Prior to election as Amex president, he was Vice President for Civic & Governmental Affairs of the New York Stock Exchange. He assumes presidency of his alma mater in 1967.

Ted Etherington took the "Curb's" reins at a time of crisis. The SEC, investigating the stock market crash, charged excessive speculation, lack of floor-specialist restraint. Scandal hit the Exchange. The new man's assignment: clean up the mess, restore integrity and confidence. The market's verdict: an outstanding job under fire. Says one Exchange VP, "Ted's the best thing that's happened here since we came in off the curb."

The stock exchange leaders are sensitive to maintaining their own and Wall Street's good name. Mr. Etherington, indefatigable as a speaker on the role of the financial community and the positive image he wants for the American Exchange, has made penetrating observations on the subject. Here, from our interview and from public statements, is the essence of his views.

Mr. Etherington, what's happening to Wall Street's image?

There is too little understanding of the market's function in economic growth. Our people should speak out loudly, clearly and often on the importance of the exchanges to our economy. We must explain that stocks and bonds are the medium through which capital flows into trade and industry, creating the dollar energy which, in turn, creates jobs. Savings invested in productive enterprise become an asset to the country, not a problem. The securities markets, in short, must thrive to allow the economy to reach maximum potential.

But can you, and the country, really thrive when prices gyrate?

Wide swings in certain stocks show an unusual amount of short-term trading by people who are often unschooled in the possible hazards. Those who aim for a sound investment program must ponder the risks of casual speculation, particularly when the market is uncommonly active.

The American Exchange's image took some abuse recently. What has Amex done about it?

After the 1963 SEC report, we underwent critical self-examination and, major reorganization. We revised listing standards and delisted over 100 issues that did not meet the new requirements. We have a revised Constitution and a more representative group of governors drawn from across the U. S. Dozens of new professional personnel augment our management team and 100 strong broker-dealer firms were added to the membership. Our automation program was recast to get added reliability for stock quotations.

What image do you have of the American Stock Exchange?

The American Exchange is in many ways the most modern in the world. Over 1,000 companies are traded here—an increase of 300 in a decade. They represent up to 1.8 billion shares valued at over $25 billion. Our special achievement, however, is still our growth as the leading market for promising young corporations that reflect the vigor and vitality of our economy. We have not changed our essential purpose: a welcome to creative companies on the upswing, with fresh ideas, new products and the will to compete.

Is the Amex, then, just a place to buy and sell unseasoned issues?

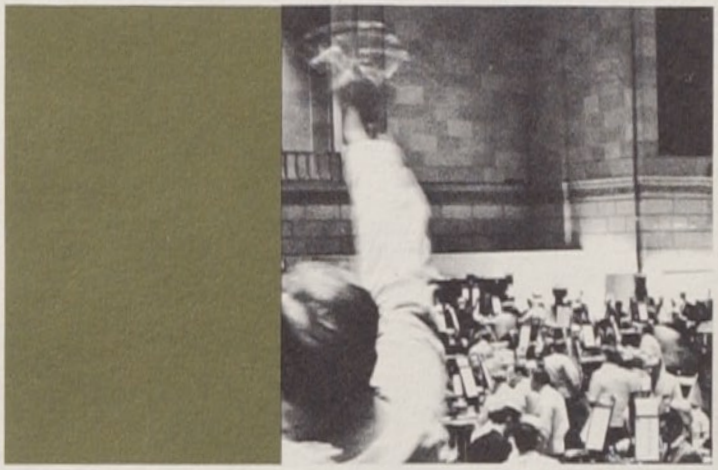
No. We aren't a training farm for young companies hoping to graduate to a larger ballpark. The roster shows a healthy balance between promising rookies and established veterans. More than 35 per cent of the companies traded here have paid dividends for between 10 and 113 consecutive years. And 42 per cent of our issues are held by one or more institutions. There is more blue among our chips than many investors realize.

What does it take to make the "team"—to get an Amex listing?

A company needs net tangible assets of $1,000,000, net earnings of $150,000 (with the last three years averaging $100,000), 750 stockholders including 500 who own 100 shares or more, an aggregate market value of shares totaling $2,000,000 with half available for public trading. Finally, 200,000 shares must be in the hands of the public. These limits must be maintained and the company must obey rules of reporting responsibility.

Why should a company meeting those standards want a listing?

Here, I think, we get to the heart of your basic question about the value of corporate identity. A listed company enjoys prestige and status. Newspapers and statistical services bring it to the attention of millions of investors and potential customers throughout the nation. This is of utmost importance to large investors, including institutions. Some 2000 tickers link investors in 390 U.S. and Canadian cities to New York. The daily performance of each company listed here is seen by a national audience, the financial community. What better way is there to communicate a corporate image in Wall Street?



A Wall Street Banker Says:

The company that spends to develop its image shows us that it's on the move."

James H. Carey, Vice President, Chase Manhattan Bank...One of the experts in commercial domestic lending who helps David Rockefeller guide the nation's second largest bank....It is at James Carey's door that American companies knock to borrow funds for the long or short term.

The Chase Manhattan has distinguished itself in ways other than an impressive growth rate. In competing for consumer savings and investment funds, the Chase—in David Rockefeller's words—"increased its advertising outlay ten-fold since the war in order to tear down the facade of austerity that separated us from the public." In this image-building effort, the Chase has been a leader; its campaign to tell the world that "You have a friend at Chase Manhattan" is the talk of the industry.

The Chase Manhattan is the first commercial bank in more than a decade to apply for New York Stock Exchange listing of its own shares. And its new headquarters in downtown Manhattan did much to revitalize the area.

David Rockefeller asked us to listen to James Carey as one whose knowledge of corporate imagery gains daily exercise. Mr. Carey speaks mainly for himself but stressed that his opinions reflect the views and policies of the bank as well.

Mr. Carey, is a company's image relevant to you?

Yes. A company with an institutional advertising campaign, for example, creates a positive impression here as well as in its markets. Of course, that alone may not get them a loan from the Chase. We appraise the books, the market, the economy. But I can think of many companies which turn out damned fine products and yet don't have a recognizable corporate image. In projecting their growth, we take that into account.

Can you give us any concrete examples?

Certainly. Many capital-equipment firms, because they are not consumer-oriented, don't bother to build public identity. On the other hand, there are a number of such firms which *have* done so and it's no coincidence that they have also achieved solid growth. Like a certain paper-products firm I know something about. Excellent products. But only recently have they begun spending to build an image. And only recently has the financial community begun to notice them.

Do you place dollars-and-cents value on "image-building" expenditures?

It's a bit like spending for research and development. R&D spending is hugely significant for a growth company; we use it as a yardstick. If you don't spend money on R&D today, you'll be nowhere tomorrow. The same, I believe, holds true in the establishment of corporate identity. The company that spends for promotion and public relations shows us, just as its R&D funding shows us, that it's on the move.

Can "image-building" do that job alone?

Never, and I can't stress this too strongly. It must be honest. They must project a true picture of business experience, plus such things as quality control and extent of service. Our banking industry offers examples of what I'd call exaggerated image-building. They're easy to spot. We know which of our competitors can actually do all they claim they can do for a company here and abroad. The same facts easily show up in other industries. In short, the "image" must be backed up.

Besides advertising, how can a company build an image in Wall Street?

Most important, I think, is that the management of a would-be blue-chip company go "on view" not just before security analysts, but before the public. You must let the world know and see who you are. A company may say, "Well, we have a five-year program to do just that." Our answer is: "Well, for goodness' sake, get going on it!"

Does the search for corporate visibility take years to pay off?

It depends on the company. But if it's a company we know about already—and like what we know—the favorable effect can come quite suddenly. Often I'll notice a magazine ad, tear it out, and instruct an assistant to take another look at that company. Two firms come to mind—each a supplier to the school market, though not competitive, and each well-known and highly-regarded in the trade for years. They are Westab and American Seating. I see that both companies have institutional campaigns in *Time, Fortune,* and so on. In effect, the ads say: "Our industry knows us. Now we want you, the public, to know who we are." This tells me they're waking up. And these programs work. I'm not going to hand over another million just because I see an ad. But I may well do just that—or more—the next time they stop by.

Finally, Mr. Carey, what about a company taking on a new name and restyling its corporate identification?

Definitely tangible. Look at our experience here at the Chase. Our "you have a friend..." campaign, that Mr. Rockefeller mentioned, and our new corporate insignia, work hand in hand. They effectively project the important qualities we want our customers to recognize in Chase Manhattan: aggressive, yet friendly; imaginative, yet strong on security. I've seen people brighten up the moment they spot the Chase button on my lapel. "You must be the friend I have," a potential customer will say. It breaks the ice on a high corporate level. It's even happened to me down in the farm country.

David Rockefeller, President and Chairman, Executive Committee of the Board, Chase Manhattan Bank.

A Business & Financial Editor Says:

A solid image may well help to soften a blow when trouble comes unexpectedly."

Raymond Brady, Editor of *Dun's Review and Modern Industry*, the monthly publication of Dun & Bradstreet...15 years a journalist, business and financial news specialist since 1954... Formerly an editor with *Forbes* and *Barron's*. Mr. Brady's magazine, widely read at the top level of trade and industry, is a potent influence in Wall Street.

All magazines—business and consumer—set their own tone, not only by what they say but how they say it. One of the first things Ray Brady did at *Dun's Review* was revamp the book in a way that added immediacy, color and dash to its reputation for responsible in-depth reporting. Dun's says much about the world of trade and commerce that is thought-provoking and informative. A story on a company directly affects that company's image and the price of its stock by what it says or doesn't say. We asked Mr. Brady as an expert in graphic and verbal communications—and as an authority on business and finance—for his thoughts on the value of corporate image.

Mr. Brady, to begin, what kind of news do businessmen want?

Nobody has time to read everything these days, but nobody in business or the market can afford *not* to know what's going on in his industry and elsewhere in the economy. So what we do, essentially, is report as much as we can, as concisely—yet fully—as we can, and in the timeliest manner possible. As a monthly magazine, of course, we don't compete for spot news with the daily press and the tickers. But we try to give perspective and depth to a business story. In short, businessmen and investors look to us for a permanent, historical record of the economy over the year.

How can a company help you provide this kind of news?

We must be able to contact a company's president, treasurer, or marketing VP—or see them—without interference by well-meaning PR buffers. Most top executives want to talk to us directly, too, when they can spare time. After all, their story is the one we want, and the one they want us to hear. Much publicity floods the desk of any business editor and, therefore, a strong program of corporate communications helps us to do our job. In large part, that job is to distinguish the important story from the trivial.

Does a strong corporate image help to communicate a company's story?

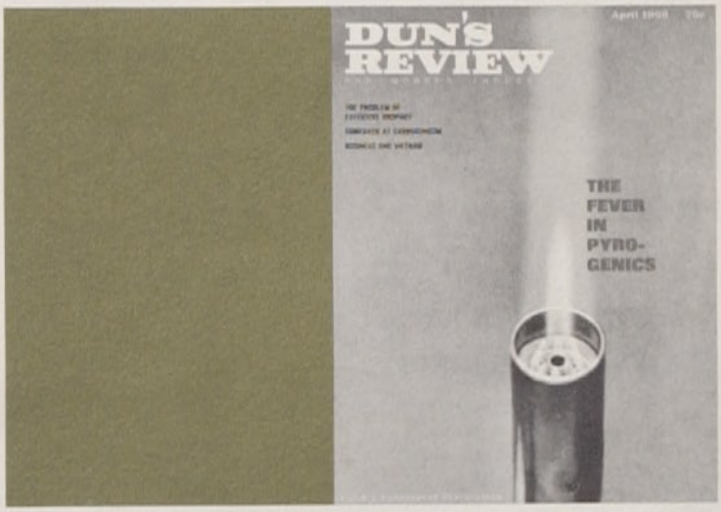
Yes, it helps call attention to timely and significant news. We're aware, for example, of DuPont, not so much because the company's so big as because it has so strong an image of growth, R & D and new-product innovation. When a press release or news clipping says that DuPont has developed another miracle fiber, we think twice before setting it aside. For as often as not, it may well signal the beginning of a new industry. A smaller, less well-known firm—whether chemical, electronic, aerospace, or what-have-you—may have an equally important story to tell. Our responsibility is to know that it's important and recognize its significance. If the company, by its record, has created an image in our minds, it rings a bell when we see its news item. For that matter, if the company's own image is dim but the financial underwriter or the PR man has established a reputation for reliability and good judgment, the result will be just as good.

What's your view of corporate advertising in business publications?

That's out of my bailiwick, but you might say that it's my bread-and-butter too. You're really asking whether we can learn about a company through such advertising, and the answer is, of course, yes. Like anyone else, we read trade and other business publications, and the ads that catch our eye. And we can perceive from them that a company has come up with something or is on the move. It might also lead to a story idea. It often has in the past.

Will an effective corporate image help a company in trouble?

If you mean internal trouble—mismanagement or a sales decline—the old image won't mean a thing. That kind of trouble will produce a new image no matter what the company may be saying. But a solid image may help to soften the blow when trouble comes unexpectedly. General Electric, for one, has been hit by everything in the book over the years, yet retains its good name with other businessmen, investors, consumers—and the stock stays up there. Steel, I think, effectively communicates an image as an innovator—and backs it up with new products and processes which investors must recognize some day. Meanwhile, I feel that the image has helped overcome its bad publicity over pricing policies. General Motors and AT&T are two outstanding examples; it seems that everyone is always out to get one or the other. Yet the image of a strong, reliable and civic-minded corporation offsets one black eye after another. For our part, we report the bad news, image or not. But we know that a part of any such story is the company's proven ability to rebound from a blow. In that sense, "image" even becomes news.



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What Wall Street Does about the Corporate Image

Now we have heard what different segments of the financial community think of the corporate image. Are their thoughts translated into action? Can it be shown that a company's image affects the market performance of its stock?

Pat answers have no place on Wall Street; individual issues react to a broad variety of economic forces and business influences. Yet we know—because Wall Street has affirmed it—that the corporate image is a powerful factor. How powerful is it? Is it a demonstrable power?

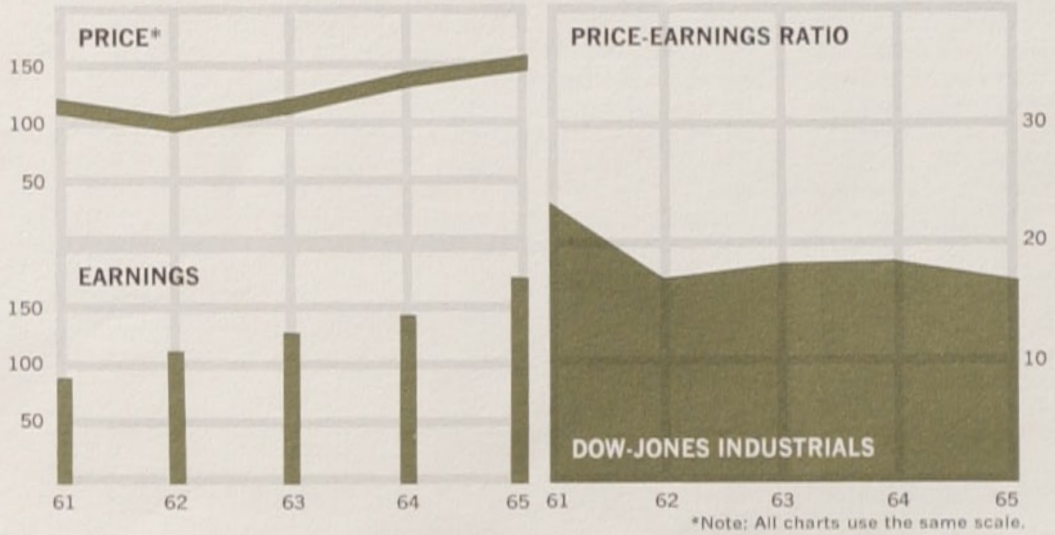
We believe that it is.

On the pages that follow, the behavior of one company's stock is depicted graphically against that of another in the same industry. Inferences about the images of a specific company are then drawn and related to the behavior of its stock. In an attempt to reason the value of the corporate image, we decided not to compare the prices or earnings, either of which would relate to the actual performance of the corporation. Rather, we chose to compare the price-earnings ratios as offering a truer yardstick of the arbitrary extra value assigned by Wall Street to individual stocks. For, theoretically, companies in similar industries, with similar general opportunities, should have similar price-earnings ratios—if Wall Street did not give weight to the intangible value, or image, of a company.

Our procedure was relatively simple. Using 1961 as a base year, we plotted the median annual market price of each stock over a four year period. Similarly, we plotted the earnings for each. The resultant price-earnings ratios are shown against the background of the Dow-Jones price-earnings curve for the same period. The Dow-Jones curve, of course, gives us an indication of general business conditions during the years covered by this study.

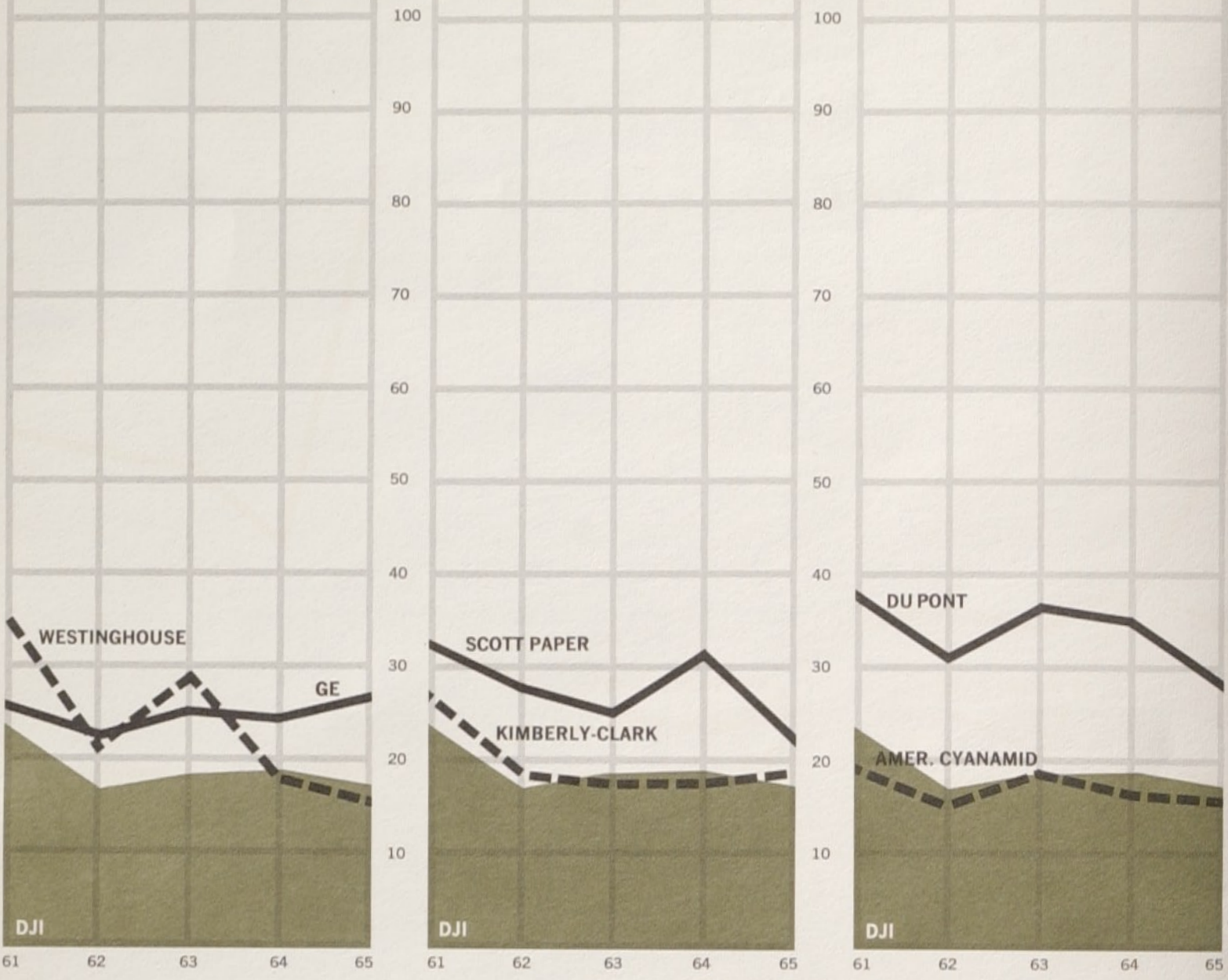
Here below, the Dow-Jones P-E ratio curve is shown. This may be compared on the following pages with the market behavior of the stock issues of DuPont and American Cyanamid, of General Electric and Westinghouse, of Scott Paper Company and Kimberly-Clark, of Sears, Roebuck and Montgomery Ward, of Sperry Rand and IBM, and finally, Xerox.

Each has its own story to tell. And each underscores what Wall Street does about the corporate image.



*Note: All charts use the same scale.

Price-Earnings Ratios Compared



GE | WESTINGHOUSE

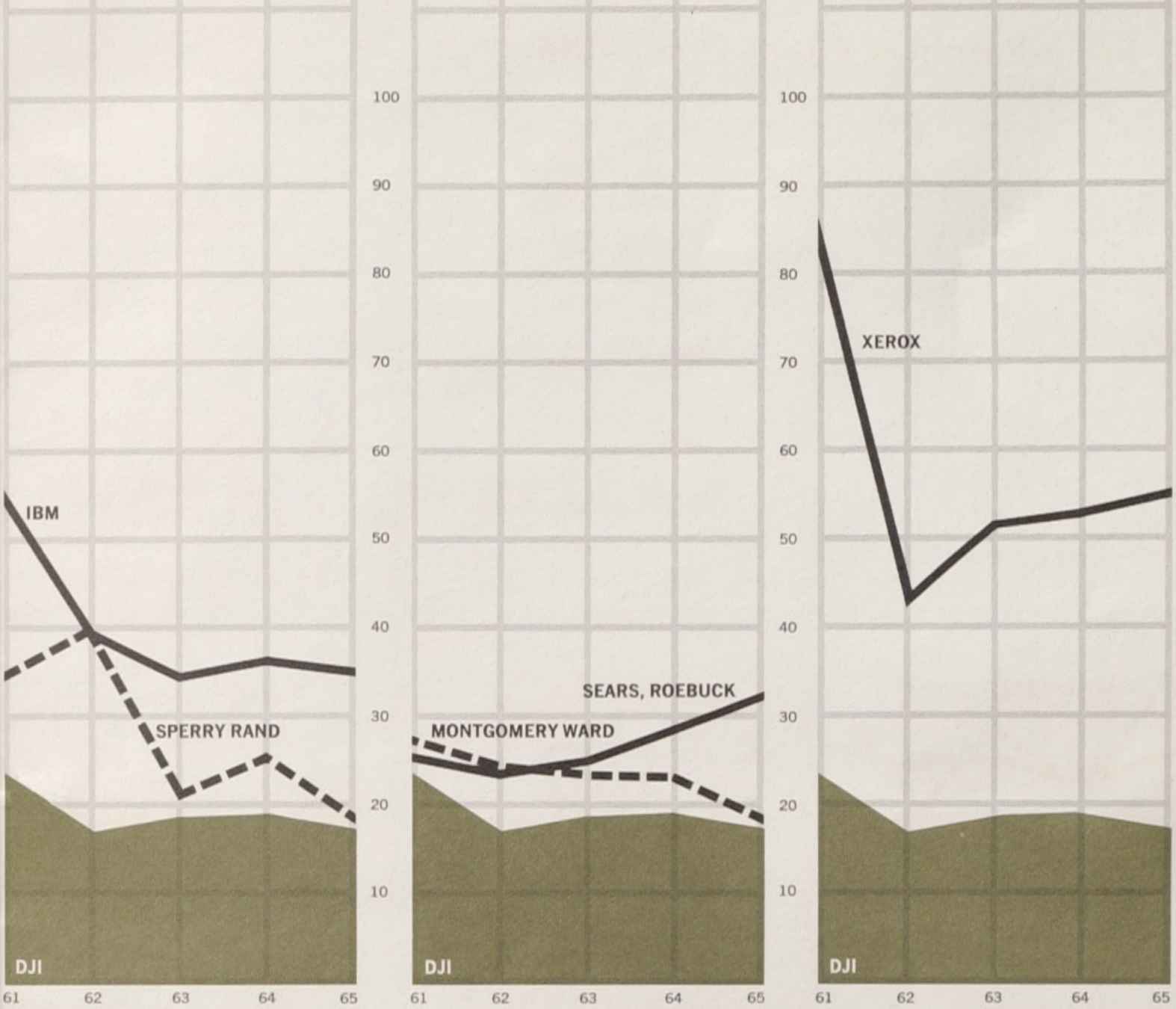
Fiercely competitive in the electrical equipment and appliance field, General Electric and Westinghouse vividly illustrate disparate behavior in the market. The Westinghouse P-E ratio lashes back and forth. G.E., on the other hand, maintains a relatively stable movement, reflecting what Raymond Brady calls a "solid image" and a "good name" in spite of "being hit by just about everything." While somewhat dated and old-fashioned, the G.E. corporate symbol has considerable strength. Significantly, Westinghouse recently changed to a new logotype to modernize its corporate "look." How effective and important the move will be obviously remains to be seen.

SCOTT | KIMBERLY-CLARK

Scott Paper is seen to be an excellent performer, commanding a higher price-earnings ratio than its competitor, Kimberly-Clark. Irrespective of other factors that might pertain, Scott uses a version of its corporate name as a brand name. Thus, Scott paper products remind investors of the Scott Paper Company. Kimberly-Clark, on the other hand, does not enjoy the same identification rub-off from its Kleenex brand.

DU PONT | AMER. CYANAMID

In the chemical industry—turning out everything from synthetic fibres, to drugs, to rocket fuel—the market action of two relative giants is charted. The disparity in ratios is striking. While the curves they describe bear some resemblance to each other and to the DJI, DuPont moves through the rarer upper reaches of price/earnings. It is worth noting that American Cyanamid does not project as clear a picture of its diversified activities in the chemical field as does DuPont, due, in part, to the limiting corporate name. Less well-known to the public at large, the firm could mistakenly be thought to manufacture one thing—the crystalline product from which it takes its name.



IBM | SPERRY RAND

IBM is an outstanding example of a firm that has established a glowing image and works hard at maintaining it. Few are the people who do not know its reputation or who are unfamiliar with its products—its computers and its office machinery, its efforts in space and defense technology. In the face of market fluctuations, IBM holds firm. Sperry Rand also glories in the computer image but its impressive efforts in other directions fail to enhance the overall corporate image. For example, substantial equities should accrue to Sperry Rand from such divisions as Univac, New Holland Machine Company, Remington Office Equipment and Remington Shavers. Unfortunately, they do not. Most people do not identify the firm with Univac, although Univac is well-known. Many more fail to recognize it as a leading producer of electric shavers. Few indeed think of it as a producer of farm equipment.

SEARS, ROEBUCK | WARD'S

Actual retail sales figures notwithstanding, Ward's and Sears' are fastened in the popular imagination as the Tweedledee and Tweedledum of catalog and chain retailing. But how different they are in the image the investor holds of them! The noteworthy thing about Sears is its continuing effort to upgrade the use of the Sears name. Increasingly, "Sears" dominates brand names—including its own. Ward's doesn't match Sears' efforts in communicating to the public; one reason for this may be the past need to focus on internal reorganization.

XEROX

As a growth stock, Xerox is in a class by itself. Its initial response to a general business downtrend is reflected vividly in its P-E ratio which halted well above the market generally. But its recovery and steady rise are equally vivid. It is fair to ask if growth alone created the great Xerox image. Or did the image help create this amazing record of growth?

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